S. HRG. 99-234

NOMINATION OF L. WILLIAM SEIDMAN

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF L. WILLIAM SEIDMAN OF ARIZONA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION FOR A TERM OF 6 YEARS, FROM OCTOBER 21, 1985, VICE WILLIAM M. ISAAC, TERM EXPIRED

SEPTEMBER 19, 1985

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

U.S. GOVERNMENT PRINTING OFFICE
52-912 O WASHINGTON : 1985

S241-27

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

JAKE GARN, Utah, *Chairman*

JOHN HEINZ, Pennsylvania
WILLIAM L. ARMSTRONG, Colorado
ALFONSE M. D'AMATO, New York
SLADE GORTON, Washington
MACK MATTINGLY, Georgia
CHIC HECHT, Nevada
PHIL GRAMM, Texas

WILLIAM PROXMIRE, Wisconsin
ALAN CRANSTON, California
DONALD W. RIEGLE, JR., Michigan
PAUL S. SARBANES, Maryland
CHRISTOPHER J. DODD, Connecticut
ALAN J. DIXON, Illinois
JIM SASSER, Tennessee

M. DANNY WALL, *Staff Director*
KENNETH A. MCLEAN, *Minority Staff Director*
JAMES E. BOLAND, *General Counsel*

CONTENTS

THURSDAY, SEPTEMBER 19, 1985

	Page
Opening remarks of Chairman Garn	1
Opening statement of Senator Riegle	1
Opening statement of Senator Proxmire	2
Opening remarks of Senator D'Amato	15
Statement of Senator D'Amato	15
Opening remarks of Senator Cranston	16
Opening remarks of Senator Hecht	16
Opening remarks of Senator Gorton	17
Statement of Senator Dixon	20
Statement of Senator Goldwater	19
Opening remarks of Senator Boren	31

NOMINEE

Lewis William Seidman, to be a member of the Board, Federal Deposit Insurance Corporation	20
Two basic areas of high priority	26
Risk premiums	27
Fairness in treatment of failed banks	27
Views on closing nonbank bank loopholes	28
"The Casino Society"	29
Procedures of liquidation cases	31
Effect of deregulation in failures	33
Response to written questions of Senator Proxmire	5
Response to written questions of Senator Garn	22
Additional information supplied for the record	36
Biographical sketch	37

NOMINATION OF LEWIS WILLIAM SEIDMAN TO BE A MEMBER OF THE BOARD, FEDERAL DEPOSIT INSURANCE CORPORATION

THURSDAY, SEPTEMBER 19, 1985

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met, at 9:30 a.m., in room SD-538, Dirksen Senate Office Building, Senator Jake Garn (chairman of the committee) presiding.

Present: Senators Garn, D'Amato, Gorton, Mattingly, Hecht, Proxmire, Cranston, Riegle, and Dixon.

Also present: Senator Boren.

OPENING REMARKS OF CHAIRMAN GARN

The CHAIRMAN. The Banking Committee will come to order.

The purpose of this morning's hearing is to consider the nomination of Lewis William Seidman to be a member of the Board of the Federal Deposit Insurance Corporation.

We're happy to have a distinguished member of this committee before us at the witness table this morning to introduce our witness.

Senator Riegle.

OPENING STATEMENT OF SENATOR RIEGLE

Senator RIEGLE. Thank you, Mr. Chairman. I must say the view is a little different and interesting from this vantage point than from up at the table up there, but I especially welcome this opportunity.

It's seldom that those of us who serve on the Banking Committee come down to this table to be present with a nominee that's been presented by an administration. I particularly wanted to do that today to indicate the exceptional quality that I think this nomination represents.

Bill Seidman was born in Grand Rapids, MI, and brings very solid credentials to the job of Chairman of the FDIC and I want to review some of that background this morning.

He is a Phi Beta Kappa graduate of Dartmouth College and earned both his law degree at the Harvard Law School and his M.B.A. from the University of Michigan. He is also a certified public accountant and has spent a great deal of his career dealing with financial statements, accountants, and auditors, which is

clearly prime training for the assignment that he is being considered for now.

At a time when our financial system is under great strain, I think it's vitally important that we have a man at the helm of the FDIC who understands bank balance sheets and financial statements from A to Z. Bill Seidman is such a person.

He also brings to this job considerable Washington experience, having served as the Assistant for Economic Affairs to President Gerald Ford during his term in the Presidency. He already has long-standing professional relationships with many key people in Washington, including Treasury Secretary Jim Baker, Paul Volcker, and many others, but those two particularly I know urged him to accept the position for which he is now being considered.

Other pertinent background that needs to be highlighted which Bill Seidman brings to this job includes the fact that he was chairman of the Detroit branch of the Federal Reserve Bank of Chicago, a bank board director of United Bank Corp. of Arizona, dean of the College of Business at Arizona State University, and chief financial officer of a Fortune 500 company.

It's seldom I think that we see this kind of breadth of professional experience in people coming forward to serve in top positions in our Federal Government.

He also served as cochairman of a White House conference on productivity in 1983 and has just recently completed a book on that subject.

Mr. Chairman and members, I believe that Bill Seidman has combined successful private sector, academic, and Government experience in such a way which should serve him and ourselves and the public at large very well as the Chairman of the FDIC and I lend my full support to his nomination.

I would make only one additional comment. I think at a time of extraordinary stress and difficulty in our financial structure and clearly with the FDIC—and we've been holding hearings on that subject—that it is not always easy or possible to attract someone from the private sector who brings the weight of experience and skill that is really needed in a critical public service position. Usually the people we most want are very actively and heavily engaged in some other professional endeavor, as is the case with this nominee.

The fact that he's willing to step away from those activities and come here to Washington now to serve in this capacity at a time of great difficulty I think is an enormously important step for him to be willing to take and for the country.

So I am delighted that he's willing to accept that responsibility at this time and I'm most pleased to be able to present him to the committee this morning. Thank you.

The CHAIRMAN. Thank you very much, Senator Riegle.

Senator Proxmire.

OPENING STATEMENT OF SENATOR PROXMIRE

Senator PROXMIRE. Mr. Chairman, I very much regret that I have to testify at another hearing on the House side at 10 this morning so I'm going to have to leave here very shortly. Before

leaving I do have some remarks to make in connection with this nomination.

I have read the "Statement for Completion of Presidential Nominees" that Mr. Seidman has submitted to our committee to aid us in our review of his qualifications for a position on the Board, and perhaps Chairman of the Federal Deposit Insurance Corporation. Mr. Seidman's background, both in the way of education, experience in the private sector, and service to his country both in wartime and peacetime, is impressive.

There is one area, however, where I have some serious concerns. If Mr. Seidman is confirmed in the position for which he has been nominated at the FDIC, he will share a very heavy responsibility for supervising the hundreds of auditors who examine the safety and soundness of the numerous banks insured by the FDIC. Mr. Seidman, according to the statement he filed with the committee, previously had experience supervising auditors when, from 1968–74, he was the managing partner of Seidman & Seidman, a national accounting firm. In his statement Mr. Seidman notes that Seidman & Seidman, during the period he headed it, was involved in several class action suits and SEC investigations, the most publicized of which, he states, was the *Equity Funding* case. That suit Mr. Seidman states was settled in 1975 and his partnership with Seidman & Seidman was terminated on March 31, 1976, shortly thereafter.

I understand that Seidman & Seidman's involvement with the Equity Funding Corp. began in February 1972, when it acquired the Wolfson, Weiner, Ratoff & Lapin accounting firm which had been Equity's auditors. The *Equity Funding* case scandal, which involved hidden fraudulent activity in the amount of $185 million, broke open in late March 1973 when the SEC stopped trading in Equity's stock and, I understand, insisted that the corporation's president and other principal officers resign and that a new accounting firm be brought in to examine Equity's books. I understand further that the accounting firm Mr. Seidman headed was later sued by the Equity trustees and its shareholders on the basis that the firm's negligence in auditing Equity Funding's books aided and abetted the corporation's fraudulent activity.

Now I want to note that Mr. Seidman was himself never charged with fraudulent activity, although some members of the accounting firm he headed were convicted of such charges in connection with the *Equity* case. I do understand that the civil suit filed against Seidman & Seidman was settled out of court and that as part of the settlement Mr. Seidman's former firm paid a large amount of money to the plaintiffs.

I note as well that the American Institute of Certified Public Accountants established a special committee to examine the adequacy of the profession's auditing standards and procedures in the light of the failure by auditors at the Equity Funding Corp. to find evidence of the massive fraud that was taking place in that corporation through the use of falsified books. That committee concluded that the profession's auditing standards need not be changed and that "customary audit procedures properly applied would have provided a reasonable degree of assurances that the existence of fraud at Equity Funding would be detected."

GAO auditors, who likewise examined the Equity Funding matter, concluded that "generally accepted auditing procedures, faithfully followed, should have uncovered the fraud."

One big issue in the *Equity Funding* case involved the conditions under which Seidman & Seidman merged with the Wolfson, Wiener, Ratoff & Lapin accounting firm in 1972. Allegations were made that Mr. Seidman, as managing partner, in order to get the Equity account agreed to conditions that effectively destroyed his firm's ability to carry out an independent auditing role. I have read the FBI report very carefully with regard to Mr. Seidman's role in the Equity matter and still have some questions that I believe can be best satisfied if Mr. Seidman will furnish the committee with the settlement decree entered in that lawsuit and other related documents which my staff discussed with him and requested yesterday.

I believe that this committee has an obligation to the Senate and the people of this country, an obligation given us by the Constitution, to examine carefully nominees for high public office to ensure that they are fit to carry out the responsibilities that will be entrusted to them. I believe we need the legal materials related to Seidman & Seidman's role in the *Equity Funding* case. I do not believe we should vote on this nomination until we receive those materials and have a chance to evaluate them. I also have other questions I would like Mr. Seidman to answer for the record on this matter. Also, I am submitting for the record other questions I would like Mr. Seidman to answer in connection with his views on some of the important matters he would have to deal with as a member of the Board of the FDIC.

Thank you, Mr. Chairman. I will submit those questions for the record.

[Response to written questions of Senator Proxmire follow:]

RESPONSE TO WRITTEN QUESTIONS OF SENATOR PROXMIRE
FROM L. WILLIAM SEIDMAN

QUESTION NO. 1

Mr. Seidman, The only members of Seidman and Seidman, the accounting firm you headed, that were charged and convicted of fraud in connection with the Equity Funding Scandal were members of the Wolfson, Weiner accounting firm which you acquired in February of 1972, i.e., Julian Weiner, and Solomon Block. The plaintiffs alleged that Stanley Goldblum, the President of Equity Funding, made the retention of Block and Weiner to continue as auditors of Equity Funding a condition for your firm to have the Equity Funding account? Was that true and if so did that arouse your suspicions about their relationship with their client -- Equity Funding?

Did you know at the time you hired Mr. Block and kept him on the Equity account that he had never been able to pass the tests required to be a Certified Public Accountant? Did you know he was not a CPA?

ANSWER TO QUESTION NO. 1

I was the chief executive of the Firm with my office in New York. I was responsible for some 40 offices domestically and our international matters. I took no personal role in the merger investigation of Wolfsen & Weiner but relied on reports from my West Coast partners. Also, I took no part in the audit of Equity Funding or planning of it. I never met Mr. Goldblum nor any other employee of Equity Funding.

To my knowledge, based on information received from other partners at Seidman there was no agreement with Stanley Goldblum, President of Equity Funding, that Weiner and Block would continue to head the Equity Funding audit. The partners involved continued Weiner and Block on the audit for the first year after they joined Seidman & Seidman because of their familiarity with the client, while Seidman & Seidman worked its own people in. To the best of my recollection I did not know Block or that he was not a CPA.

QUESTION NO. 2

I understand that the plaintiffs in the Equity Funding case in their class action against Seidman and Seidman, the firm you managed, alleged that your accounting firm conducted an audit and prepared a statement for the Equity Corporation and its subsidiaries for the year ending December 31, 1972. The complaint further alleges that Messrs. Block and Weiner, who were members of your accounting firm were in charge of the audit, and that this audit overstated Equity's net worth by $250 million. The complaint alleges that this audit, while not released, was in galley proof form at the time the SEC cracked down on the Equity Funding Corporation.

Are the facts in this allegation true? If not how are they erroneous? Did Seidman and Seidman have an approved audit of Equity's financial condition ready for release at the time the scandal broke?

ANSWER TO QUESTION NO. 2

While I have no personal knowledge of the audit, I am informed by Seidman & Seidman that they never completed the audit of Equity Funding for the year ended December 31, 1972. They also state that to complete the audit it would have had to undergo a review by a six-person review team the Firm had appointed but no review was completed. That review was an essential, substantive part of the audit process and might well have uncovered the fraud. Seidman & Seidman also state that if there was anything at the printers, that was the company's doing; Seidman & Seidman had nothing to do with it and it was unrelated to the status of Seidman & Seidman's audit procedures.

QUESTION NO. 3

General Accounting Office auditors, who examined the Equity Funding matter, stated in an article in the Spring of 1976 GAO Review that "It may seem inconceivable that a scheme this massive could have been hidden so long from Equity Funding's auditors." The GAO auditors also stated that "generally accepted accounting procedures, faithfully followed, should have uncovered the fraud."

Your firm, Seidman and Seidman, was the Equity Funding Corporation's main auditor for over a year at the time the scandal broke in late March 1973. Did you follow generally accepted accounting procedures in your audit of that company's books? If so how do you account for your firm's failure to discover the massive fraud then taking place within that corporation?

ANSWER TO QUESTION NO. 3

While I have no personal knowledge with respect to the audit of Equity Funding Seidman & Seidman states that they never had a chance to do a complete audit of Equity Funding. They also state that the audit for the 1971 year was essentially completed at the time of the merger, and the audit for the 1972 year was never finished. Weiner, of course, was later convicted of fraud in this matter and that would appear to be a material reason the fraud was not discovered. Seidman & Seidman people were always instructed to follow generally accepted auditing standards. If the Firm's review team had gotten a crack at the 1972 audit, they might well have uncovered the fraud.

QUESTION NO. 4

The District Court in its account of the class action brought against Seidman & Seidman by Equity Funding shareholders notes that "the only published work done for EFCA by Seidman was a consolidated balance sheet of EFCA and its subsidiaries as of December 31, 1971, and the related consolidated statements of earnings and changes in financial position for the year ended December 31, 1971." It further states that "because Seidman undertook to perform the audit related to this certification less than 60 days before the time the statement was required to be filed in a 10-K report to the SEC, . . . this certification amounted to a mere rubber stamp of the work done by Wolfson and fraudulently represented Seidman had performed the duties of an independent auditor of EFCA."

Were these allegations made by the plaintiff true? If they were not how were they erroneous?

ANSWER TO QUESTION NO. 4

Again I had no personal knowledge of the December 1971 audit report, Seidman & Seidman partners involved state that Seidman & Seidman did not audit, or undertake to audit Equity Funding's 1971 balance sheet. They state that the audit was performed by Wolfson, Weiner, but the audit report was not issued until after the merger. It is my understanding that Seidman & Seidman's signing the audit report was required by the rules at that time because Seidman & Seidman was the successor firm, the successor to Wolfson, Weiner.

QUESTION NO. 5

Mr. Seidman, the American Institute of Certified Public Accountants established a Special Committee to examine the adequacy of auditing standards and procedures in light of the failure by auditors in the Equity Funding Corporation to find evidence of a massive fraud that was taking place in that Corporation through the use of falsified books.

That Committee concluded that audit standards need not be changed and that "customary audit procedures properly applied would have provided a reasonable degree of assurance that the existence of fraud at Equity Funding would be detected."

In light of that conclusion where do you think your firm, Seidman and Seidman, went wrong in carrying out its responsibilities as Equity Funding's auditor during the period of February 1972 through March 1973?

ANSWER TO QUESTION NO. 5

As I said in answer to an earlier question, I had no personal knowledge of this audit but have been informed that the audit was never completed and if Seidman & Seidman's review team would have had a chance to review the 1972 audit, they might well have discovered the fraud; but they never got that chance. Also a fraudulent partner from the recently-merged Wolfson & Weiner firm was involved in the audit and his purpose was to conceal the fraud.

I also note that the AICPA is no longer so sanguine about white collar fraud. I understand they recently appointed a task force to determine how CPAs can do a better job of detecting fraud.

Last year I introduced an amendment to require that banks pay insurance premiums to the FDIC on their foreign deposits. The amendment would also lower the FDIC insurance premium rate from one-twelfth of 1 percent to one-fifteenth of 1 percent. The effect of these two changes will be to keep the total level of FDIC insurance premiums about the same while shifting more of the cost to large money-center banks that take in deposits through their foreign branches.

Are you aware of my amendment? Do you think that amendment is equitable in light of the fact that the Continental Illinois matter revealed that large banks enjoy the benefit of 100 percent Federal guarantee on all their liabilities?

I am aware of your proposal to extend the deposit insurance assessment base to include foreign office deposits, the effect of which would be to shift more of the cost of deposit insurance to money center banks.

If the FDIC handles most future bank failures through purchase and assumption transactions or other methods that make all depositors whole, I believe it would be appropriate to expand the assessment base to include foreign office deposits since those deposits would be protected alongside the domestic deposits. However, if the FDIC were to rely principally on modified payoffs or some other method that did not protect foreign deposits against loss to any degree, it would not be appropriate to assess such deposits. As you know, questions regarding the nature and scope of deposit insurance coverage and the methods for handling large and small bank failures are currently the subject of much discussion at the FDIC, in the industry and in the Congress. The final decision as to whether to assess foreign deposits can only be made in this broader context.

The House is now considering legislation that would provide within 5 years for interstate banking by banks that participate in reciprocal interstate regional banking agreements.

You were the chairman of the State of Arizona's Committee on Interstate Banking. Do you favor full interstate banking? Do you favor the 5 year trigger approach in the House bill as a step on the way to full interstate banking? Do you believe there should be concentration limits in any interstate banking legislation to prevent undue concentration of financial power?

I am on record as having favored extending the benefits of interstate banking to Arizona. I recognize that situations are different in different states and that the best answer for one state is not necessarily the best answer for another. I have not had an opportunity to focus on the pros and cons of the "trigger approach" in the House bill. The danger in not having a "trigger" is that powerful vested interests might develop that would block future legislative efforts to move beyond a regional approach.

Both Chairman Isaac of the FDIC and Chairman Gray of the Bank Board have argued that brokered deposits pose significant dangers to the health of our financial system. Chairman Gray even calls them a "cancer on the thrift industry." Former Comptroller of the Currency Conover, by way of contrast, said not to worry about brokered deposits; they're okay, although some upper limit on them might need to be established.

What's your view on brokered deposits? Should we limit them in some way?

I believe that the uncontrolled use of fully insured brokered deposits has posed significant problems for banks and thrifts and cost the deposit insurance funds hundreds of millions of dollars. Some means needs to be developed to control the use of brokered deposits. If higher capital requirements were put into place and enforced uniformly in a timely manner, then the danger posed by the use of brokered deposits would be lessened, though not entirely eliminated.

The Bush Task Force has told us that the Congress should set uniform minimum capital standards applicable to all insured banks and thrifts.

Do you agree with that recommendation? If so, why? If not, why not?

I agree that uniform minimum capital standards should be applicable to all insured banks and thrifts. I recognize that many thrifts currently have extremely low capital levels and that a significant amount of time may be necessary to phase in uniform standards. Nevertheless, I think it is essential that such a process begin. Those institutions that are substantially below required standards probably should be subject to growth or other limitations until they attain satisfactory levels.

On July 23rd during our hearings I asked Mr. Isaac, the present Chairman of the FDIC, whether Congress should stipulate that the FDIC should be allowed to examine any insured bank without being required to get permission of the other banking agencies.

Mr. Isaac replied in part, "If you can enact legislation giving the FDIC unfettered authority to examine any institution it insures, I believe that would be the appropriate thing to do."

Do you agree with Mr. Isaac that we should give the FDIC clear authority to examine any institution it insures and, if not, why not?

I believe the FDIC should have the clear authority to examine any institution that it insures. It is the FDIC that ultimately bears the risk associated with unsound practices pursued by institutions that it insures and it is only logical that it have the authority to monitor such risk and take action to limit it.

On July 23rd, Mr. Isaac also told this Committee that reforms of the banks' supervisory system and the deposit insurance system are the most important issues the Banking Committee can deal with. He said, "Dealing with these issues is more important than the nonbank loophole or geographic restraints or added bank powers."

Do you agree with his views on these priorities, and if not, why not?

I would agree that reforms of the bank supervisory system and the deposit insurance system are the most important issues the banking committees can deal with at this time. There appears to be a consensus that our system has not placed appropriate restraints on risk taking and that adjustments to our system are necessary to deal with future financial stresses. The other issues mentioned in your question -- nonbank loopholes, geographic restraints and added bank powers -- are important, although there does not seem to be a consensus today on what Congress should do in these areas.

Let me add that Mr. Isaac said that the most important thing above anything else we can do to strengthen our financial system is to do something about budget deficits. I presume you agree with that.

I agree that the most important thing we can do to strengthen our financial system is to do something about the budget deficits. Most of the problems faced by depository institutions today and in recent years do not derive from inherent weakness in our system. Rather, they reflect the difficult economic environment that financial institutions have faced in recent years. The economic environment would be materially helped by reducing significantly the budget deficit.

52-912 O - 85 - 2

During his testimony on July 23rd, Mr. Isaac also said, "Our present system of bank regulation and thrift regulation is unwieldy. I think we have too many regulators."

Do you agree with Mr. Isaac that our present system is unwieldy and, if so, do you agree that we should consolidate the three banking agencies into one independent agency as I've advocated over the years?

I agree that at times our present system of bank and thrift regulation appears to be unwieldy, and that some adjustment in the system would probably be beneficial. While some consolidation in function and the elimination of one or two of the players may be appropriate, I am not committed to a single plan. The solutions proposed in the Bush Task Force report should be considered along with other options. At this time the heads of most the federal banking agencies are being changed, and this could be an opportune time to reexamine the possible streamlining of the existing financial regulatory structure.

As you may already know, on May 6th, the FDIC unanimously adopted a new policy of disclosure which has a delayed effective date of January 1st, 1986. Under the new policy, the FDIC will disclose by a press release or other vehicle the names of institutions or individuals against whom final enforcement actions have been levied.

Do you agree with the premise of that policy i.e. the public has a right to know whether institutions are being operated safely? If so will you carry it out and try to get the other bank regulatory agencies to adopt similar proposals?

In general, I favor increased disclosure by banks and thrifts, and I believe the banking agencies have been moving in this direction over the past several years. I have not made up my mind where I come out on the FDIC policy that would become effective January 1, 1986 to disclose the names of institutions and individuals against whom final enforcement actions have been taken. The announcement of that policy has generated opposition from some industry groups, and I have not had an opportunity to examine those objections and determine whether I consider them to be valid.

The CHAIRMAN. Thank you, Senator Proxmire.
Senator D'Amato.

OPENING REMARKS OF SENATOR D'AMATO

Senator D'AMATO. Thank you, Mr. Chairman.

Mr. Chairman, I have a statement that I'd like to have included in the record as if read in its entirety. I, too, will have to join Senator Proxmire at another committee hearing at 10 and so will not be able to stay for the full duration.

But let me say that I very carefully read Mr. Seidman's background. I think we are indeed fortunate to have someone with the breadth of experience and the diversity of public service and private sector service that Mr. Seidman brings to this most important position as Chairman of the FDIC. We certainly need someone who is not going to look for instant solutions but who understands the nature of the problems, who has dealt with them first hand, and who has a perspective from both private sector as well as his public sector service, which is varied, which is accomplished, and indeed I look forward to having the opportunity to support this nominee and it is a pleasure because, to be quite candid, there have been very few who have come with nearly the background that Mr. Seidman brings to public service in this most important position.

Mr. Chairman, I would ask that my full remarks be included in the record as if read in their entirety and I'm pleased to be here for the limited time that my schedule permits me and to welcome Mr. Seidman.

[The complete statement of Senator D'Amato follows:]

STATEMEMT OF SENATOR ALFONSE M. D'AMATO

Senator D'AMATO. I want to welcome today's witness, the nominee for Chairman of the Federal Deposit Insurance Corporation, Mr. William Seidman, to this committee. Mr. Seidman, my experience as a member of this committee has taught me that this will be the first of many appearances you will make as a witness before this committee. You should also be assured that your appearance this morning will give you a demonstration of what you can expect in your subsequent appearances.

One of the major issues before this committee in the next few months will be the adequacy of the Federal Deposit Insurance Fund which you oversee. Your comments on the adequacy of this fund and the manner in which the FDIC deals with failed institutions are of great concern to the committee due to the number of insured banks on the FDIC's problem list. Your comments on brokered deposits and the geographic and product deregulation of the banking industry will also prove most instructive to the committee. While I understand that you may be reluctant this morning to state your position on these and other issues which are before the committee, be assured that, as Chairman of the FDIC, you will be required to offer your comments and recommendations when asked by the committee.

After reviewing your background, it appears your many academic and professional accomplishments would recommend you for the position as FDIC Chairman. The task that awaits you at the FDIC

is not an easy one; however, I am assured by members of the financial community that you are quite capable of meeting this challenge. I look forward to your statements this morning and to establishing an excellent working relationship with you in the future.

The CHAIRMAN. I thank the Senator from New York.

Senator Cranston, do you have any statement you wish to make?

OPENING REMARKS OF SENATOR CRANSTON

Senator CRANSTON. I welcome Mr. Seidman before the committee. I feel that he's been doing very excellent work on the committee where he's been serving. I do agree that this committee has a responsibility to look at all relative documents before we come to a decision but I have confidence that after doing so that the committee will have a favorable vote on the nomination.

The CHAIRMAN. Senator Hecht.

OPENING REMARKS OF SENATOR HECHT

Senator HECHT. Thank you, Mr. Chairman.

I, too, am impressed by your background and I'm happy to see people from the business world come into Government.

I've got a couple questions I want to ask you, short, but philosophical ones which certainly have nothing to do with your qualifications at all but I do want to ask you this.

On your political contributions—and again, I compliment you on helping political candidates in Government to run for office. In 1979, you helped the Baker committee—I suppose that's Howard Baker—Anderson for President, campaign to elect William E. Simon, and Connally for President. It reminded me of a horse race with five horses running and I bet on four and lose.

Obviously you were not philosophically attuned to President Reagan at that time, or Governor Reagan. Is that correct?

Mr. SEIDMAN. I don't believe that's correct. All of those gentlemen were fairly good friends of mine and when they put the arm on me I couldn't resist. [Laughter.]

Senator HECHT. That's an honest answer. Since Governor Reagan, now President Reagan, has been in office, do you feel his economic policies are sound for this country?

Mr. SEIDMAN. I think many of the positions of the administration are sound. There are some that I, along with them, wish were working out in a different manner, particularly the deficits.

Senator HECHT. How do you feel about that? What would you be doing different?

Mr. SEIDMAN. Well, I believe that we need to find a way to cut the size of the deficits and I think the administration supports that. It simply means that we have to look at every expenditure in trying to find a way to cut the deficit.

Senator HECHT. I don't think you'd have a problem in the Senate. I think the problem is in the House on that, just saying no.

Mr. SEIDMAN. I agree with that, sir.

Senator HECHT. A current topic which we've had hearings on in the past 2 weeks is combining the two insurance funds. What's your opinion on that—FDIC and FSLIC?

Mr. SEIDMAN. I haven't had a chance to study that in any real depth, but my initial impression is that the FDIC has really plenty to do in their own right and that there is no particular reason why the Corporation should seek to combine those two agencies.

It may be that if the savings and loans are going to need help and the money is going to have to come from somewhere, it seems like there are probably three places it could come from—the U.S. Treasury, the Federal Reserve, and the FDIC—if in the opinion of Congress the FDIC is the appropriate place to provide support, then I think it would be capable of doing so.

Senator HECHT. Do you feel that the need might arise for that support for the FSLIC?

Mr. SEIDMAN. From my present knowledge, I think it is very possible.

Senator HECHT. What would you feel should be our priority in Congress with regard to banking legislation?

Mr. SEIDMAN. I think there are two priorities. One is the insurance reform which hearings have been held on recently, and the second is regulatory reform as presented by the Bush task force.

Senator HECHT. I just got a note that my questions were not supposed to have begun. Those were my opening remarks. So I apologize to the chairman and I apologize to you, but I'm happy to have had a chance to hear from you.

Mr. SEIDMAN. Thank you, sir.

The CHAIRMAN. Senator Mattingly.

Senator MATTINGLY. I have no formal statement, but I also welcome Mr. Seidman. I'm certain you're going to be approved rapidly. I may have some questions for the record which I'll ask you to respond to later. Thank you very much.

The CHAIRMAN. Senator Gorton.

OPENING REMARKS OF SENATOR GORTON

Senator GORTON. Mr. Chairman, the nominee did come to visit me in my office. He did not at that time tell me that he was a graduate of Dartmouth College, which is highly relevant information. I just discovered that. I was delighted to meet him then. I'm more delighted to meet him now.

It's quite an all-star list of contributions that Mr. Hecht referred to there, including one person by which I was formerly employed.

In any event, I should like to say, Mr. Chairman, that I think that this nominee is exactly the kind of person with exactly the kind of background that we all want to have as a part of the Government of the United States and are too often unable to recruit because of all the limitations on it. I congratulate him on a distinguished career and I look forward to his being a very distinguished member of the Board of the FDIC.

Mr. SEIDMAN. Thank you.

The CHAIRMAN. Senator Hecht, don't worry about it because when we get to the question period you can give your opening statement. [Laughter.]

Senator HECHT. My second committee started at 9:30 so I'm already 15 minutes late.

Senator GORTON. Mine, as well, Mr. Chairman.

The Chairman. Mr. Seidman, Senator Goldwater is very much in support of your nomination and unable to be here this morning and he's not a member of the committee so he has no obligation to be here. But he does have a strong statement of support that he asked me to put in the record in your behalf. Senator Dixon has a previous committee hearing to attend this morning and has asked that his prepared statement be inserted in the record. So without objection, I will do so.

[Statement of Senator Goldwater follows:]

STATEMENT OF SENATOR BARRY GOLDWATER

FOR BANKING COMMITTEE ON

NOMINATION OF L. WILLIAM SEIDMAN

September 17, 1985

Mr. Chairman: I am sorry that I am unable to be here in person as I had a conflict with an Armed Services Committee meeting of which I am chairman.

I have had the distinct pleasure of knowing L. William Seidman as he initiated an aggressive and successful campaign to place Arizona State University College of Business on the map. Bill Seidman took over as Dean of the College of Business at a time when the college was in much need of strong leadership and management skills. After three years, the improvements and the visions for the future have been notable. More importantly, the College of Business is beginning to have an academic reputation equal to its physical size as the largest business school in the country. Bill Seidman initiated programs for students, faculty, alumni, community members and the legislature to become involved in the growth and potential of a college of business which reached beyond the norms of academia and realized its life was outside the ivy or, in this case, saguaro walls of the university. His efforts will continue and he will be remembered for his ability to put people and projects together to solve problems.

To know Bill Seidman is to realize that his experience at ASU was not unusual. He has experienced similar challenges throughout his business career and the results have been equally favorable. Like myself, Seidman started his work experience in a family business. The Seidman accounting business is now a multinational firm ranked among the top 20 in the country. This is only one of many accomplishments Bill Seidman has had over the years. He might be from Michigan, but his style of getting the job done fits right in with the West. Seidman doesn't waste time on lengthy studies, but seeks solutions that move in a forward direction in an efficient and timely manner. A style of management, I wish we had more of in the Senate, I might add.

The Federal Deposit Insurance Corporation will indeed be fortunate to have Bill Seidman as its chairman. He has worked in our nation's capital under President Ford in several positions, and I for one welcome him back in a position which will provide him with new concerns but in a familiar arena.

In closing, I give L. William Seidman my strong support for the chairmanship of the Federal Deposit Insurance Corporation.

# # #

STATEMENT OF SENATOR ALAN DIXON

Senator DIXON. Mr. Chairman, I am pleased to be here this morning as the Banking Committee begins its consideration of the nomination of L. William Seidman to the Board of Directors of the Federal Deposit Insurance Corporation. I understand that Mr. Seidman will be made the new Chairman, replacing Bill Isaac, if his nomination is approved by the Senate.

I want to take this opportunity to congratulate Bill Isaac. He has been a distinguished, hard working, and very creative Chairman. He has generated controversy at times, but given the problems and challenges facing the banking industry, controversy was unavoidable. While we did not always agree, I have always found him available, responsive, and considerate. I wish him well in his future activities.

Mr. Seidman has a tough act to follow. There are a lot of tough issues pending, and the FDIC is necessarily in the middle of many of them. I look forward to hearing from the nominee this morning, and to learning more about him and his views on the major issues now before us. I can promise him I will give his nomination my most careful consideration and attention.

Thank you, Mr. Chairman.

The CHAIRMAN. I believe the President has made an excellent selection. You are taking over the FDIC in a very difficult time. As a matter of fact, the last 4½ years that I have been chairman of this committee I have become very close to Bill Isaac, not on a social basis but on a necessity basis, to talk about many of the problems. So I expect that we will get to know each other well and I do look forward to working with you.

Do you have any opening statement you wish to make? I recognize you have no formal statement, but is there anything you would like to say to the committee prior to starting questions?

STATEMENT OF LEWIS WILLIAM SEIDMAN, NOMINEE TO BE A MEMBER OF THE BOARD, FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. SEIDMAN. Thank you, Mr. Chairman.

It's a pleasure to be here and I thank you, Senator Riegle, and others for your kind statements.

I didn't have an opening statement. I think I should say with regard to the statement made by Senator Proxmire that the documents that he requested were requested yesterday, so it seems I obviously haven't had a chance to even look into the matter. But the documents that he requested are not in my possession. They are, as I understand it, in the court under orders as part of the settlement not to be made public.

I have said that I have no problem with any documents being observed by any Senator, but I have no way of producing those documents except to request it from the appropriate parties and see what their response is.

But the matter of Equity Funding has been explored in depth by the FBI, by the SEC, and others, and I think the record is clear that our firm was defrauded. We took over a firm whose partner was fraudulent and he defrauded us and he had been defrauding

the public. We never completed an audit of Equity Funding and so I am unhappy that the event took place but I am not concerned that it was anything which I could have prevented. Personally, I had nothing to do with Equity Funding at all. It was handled by our California office. Nevertheless, I was the managing partner and, of course, responsible for the firm. But on a personal basis, I had no part in that activity.

That's all I have to say, Mr. Chairman.

The CHAIRMAN. Before we begin the questions could I have you stand and be sworn?

[Whereupon, the witness was duly sworn.]

The CHAIRMAN. First of all, Mr. Seidman, let me ask you some standard questions that we ask in this committee of all nominees.

I understand that to avoid any potential conflicts of interest you will resign all business directorships?

Mr. SEIDMAN. Yes.

The CHAIRMAN. You will sell all bank stocks and bonds held by yourself and your wife?

Mr. SEIDMAN. Yes.

The CHAIRMAN. You will attempt to sell bank stock held by charitable foundations?

Mr. SEIDMAN. Yes.

The CHAIRMAN. You will recuse yourself from any FDIC activity which involves a bank with which you have had or have a business relationship?

Mr. SEIDMAN. Yes.

The CHAIRMAN. And I understand that you no longer are a partner in Seidman & Seidman, is that correct?

Mr. SEIDMAN. That is correct.

The CHAIRMAN. And if confirmed, do you agree to appear before this or other committees as requested?

Mr. SEIDMAN. Yes.

The CHAIRMAN. Mr. Seidman, I am personally satisfied from my investigation of the SEC's investigation into Seidman & Seidman. I have no problems with it whatsoever and certainly accept your initial comments about the nature of that case.

However, I do think it's important, and Senator Proxmire brings out a point, that for your benefit as well as ours that we have as much information about it as possible. And I will not take the time to have you go through it now, but I do have 14 or 15 questions about that investigation that I would like to submit to you and have your response in writing for the committee so that we have a complete record.

As far as the request by Senator Proxmire for the documents, all we can expect from you is a good faith effort. If they are sealed by a court, I certainly would not expect you to accomplish that, but if you would see what the possibilities are, according to Senator Proxmire's request, we would expect a good faith effort on your part in doing that.

Mr. SEIDMAN. I will make that effort.

[Response to written questions of Senator Garn follow:]

Responses to Questions from Senator Garn

Equity Funding settlement agreement -- The agreement is sealed under court order and I cannot produce it.

Mr. Seidman, the SEC censured your company for performance of audits on Equity Funding Corporation of America, Omni-Rx Health Systems, SaCom, and Cenco Incorporated.

Seidman & Seidman (S&S) states they were not censured by the SEC.

1) **How did these companies become clients of your firm?**

S&S states that Equity Funding, SaCom and Omni-Rx Health Systems had been clients of Wolfson, Weiner, Ratoff & Lapin and became clients of S&S upon the merger in February 1972. Cenco became a client of the Firm in about 1961 when it asked S&S to do its audit work. S&S ceased acting as auditors for SaCom and Omni-Rx in 1974, and for Cenco in 1975.

2) **How long had they been clients of Seidman & Seidman when the SEC launched its investigation?**

S&S states that Equity Funding, SaCom and Omni-Rx, had been clients for just over a year when the SEC investigation began; Cenco, for about 14 years when that investigation began in 1975.

3) **With regard to the companies previously noted, what was the time period during which the SEC determined that the firm's audit procedures were lacking?**

S&S states that they never performed a full audit of Equity Funding and the SEC did not fault the Firm on any of its audit procedures. The SEC criticized S&S's audits of Cenco for the 1973 and 1974 years, of SaCom for the 1972 year, and of Omni-Rx for the 1972 and 1973 years. Many of the criticisms were of work performed by Wolfson, Weiner, Ratoff & Lapin before the merger.

4) **Did employees of Wolfson, Weiner, Ratoff & Lapin (the firm that merged with Seidman & Seidman) perform the audits which were the subject of the SEC's investigation or did Seidman & Seidman employees conduct the actual audits?**

S&S states that because of their familiarity with those companies, personnel who had been employees of Wolfson, Weiner, Ratoff & Lapin performed most of the audit work on SaCom and Omni-Rx, and the work on the incomplete Equity Funding audit while the Firm worked-in its own people. The Cenco audit work was all performed by S&S personnel. Essentially all the former Wolfson, Weiner, Ratoff & Lapin personnel were terminated by the Firm by early 1974.

5) During the audit years covered by the SEC's inquiry, what was your position at Seidman & Seidman?

During the early audit years with which the SEC was concerned, I was the Managing Partner (Chief Executive) of S&S. However, I left S&S in February 1974 on a leave of absence to assist then Vice President Ford, and I never returned. Therefore, I was not at S&S during many of the events in question.

6) What was the nature of your responsibilities as National Managing Director of the firm?

As Managing Partner of the Firm, I was a member of the Policy Group (the governing board) and the Chief Executive of the Firm, responsible for the executive office of the Firm, responsible for all principal undertakings and agreements of the Firm, and responsible for other matters assigned to me by the Policy Group. The Firm at that time was composed of about 40 offices, 140 partners and over 800 professional staff. I supervised the Firm administratively through three regional partners (covering the U.S.), the National Director of Operations and the Comptroller. In addition, I had primary responsibility for our cooperative efforts, programs and relationships with our foreign affiliates in Binder Seidman & Co. (now Binder Dijker Otte & Co.), one of the largest accounting organizations in the world. Further, I was mainly responsible for our relations with the American Institute of CPAs, and various state societies, the governing boards in various states and other professional agencies.

7) In your capacity as National Managing Director, did you ever participate in any fashion in the audits of Equity Funding, Omni-Rx Health Systems, SaCom or Cenco Incorporated?

8) Did you act as either the engagement or review partner with regard to any of the companies cited by the SEC in its investigation?

I did not participate in any way in any of the audit engagements in question in the settlement with the SEC. The Firm performed more than a thousand audits per year at the time and, given all my administrative responsibilities, there was no way I had time to deal with specific problems on specific audits. While I was Managing Partner, I never participated in any audits, as engagement partner or a review partner or in any other capacity. (I should also note that the Firm's executive office is in New York while the audits were performed in Los Angeles, except for Cenco, which was in Chicago.)

9) Were you ever a target of the SEC's investigation of the adequacy of the firm's audit procedures? Was it at any time contemplated to name you or other members of the firm's Policy or Executive Committees to be individually named in the settlement agreement?

I was never a target of the SEC investigation. As far as I know, the SEC never attempted to name me or the Policy Group in the settlement.

10) Were you ever deposed by the SEC in connection with this case? Could you tell us what the substance of your testimony was? Was this the only time you were deposed in this matter?

I do not recall that I was ever deposed in the SEC investigation of Equity Funding. I believe that my testimony in the stockholder actions v. S&S, et al., is the only testimony I gave in the Equity Funding matter. Seidman & Seidman states that they can find no other deposition in their records.

11) In its release regarding the investigation the SEC stated: "The matters giving rise to these proceedings are the result of two unrelated areas of inquiry conducted by the Commission staff. These matters involved fraudulent conduct by the client companies in which Seidman & Seidman was deceived." In what manner was the firm deceived?

S&S states that in the Cenco matter the Firm was deceived by false management representations, backed up by other misrepresentations; false documentation including use of bogus invoice forms, etc. and involving the highest level of Cenco management. S&S was also misled by management representations in the SaCom and Omni-Rx matters. Equity Funding officials also were steadily making false representations to the auditors and producing a stream of false documentation, but in addition Seidman & Seidman states they never completed an audit of the company.

12) The SEC also found that the firm did not fulfill its responsibilities as required by the profession. What steps were taken by the firm to avoid a repeat of this situation? To the best of your knowledge, at any other time during your tenure as Managing Director, was the firm investigated by the SEC?

I took a leave of absence from Seidman & Seidman in February 1974 to become assistant to Vice President Ford. Although I did not officially retire from the Firm until later, I never returned to work for the Firm after my 1974 departure. The Firm's SEC settlement was in 1976. Therefore, I don't know specifically what steps the Firm took to avoid a repetition of the Equity Funding problem. I understand, however, that the Firm successfully passed

the peer review called for by its settlement and implemented any desirable procedures recommended. To my knowledge, while I was with S&S the Firm was never involved with any other investigations by the SEC.

13) During your tenure as Managing Director, did the firm undergo a Peer Review? Were the results favorable?

The peer review process did not begin until after I left the Firm in 1974.

14) In essence, didn't the SEC investigation conclude that your firm was deceived by the fraudulent practices of the companies noted above and that you may have caught this deception and fraudulent conduct if you had used different procedures? Did you have any reason to believe that any of the companies at issue intended to deceive or conceal fraudulent activity from Seidman & Seidman during the years in question?

I understand that the SEC did suggest that Seidman & Seidman might have caught the deception and fraudulent conduct if it had performed its audit work differently. However, in reply S&S states that it had no reason to believe that any of these companies intended to deceive it, or to conceal any fraudulent activity. It is very difficult to detect collusive management fraud when the President of the company and one of the auditors acquired in a merger are involved. The Firm believes it might have uncovered the Equity Funding fraud if it had had a chance to complete and review the 1972 audit. I personally had no reason to believe that the companies involved were fraudulent and were attemting to conceal the fraud from Seidman & Seidman.

The CHAIRMAN. Mr. Seidman, legal and economic issues affecting the financial services industry are increasing very rapidly. As you know, this committee for a long period of time has been attempting to modernize our legal structures to attempt to provide competitive equity for financial institutions and close nonbank bank loopholes as well as consider deposit insurance reform.

This committee and the regulators are faced with a lot of questions on market discipline, on modified payouts, on increased capital and risk-related premiums, increased enforcement actions, and we have been holding hearings on those in July and in September as well.

When I started the hearings on deposit insurance reform, we heard from the Chairman of the FDIC and said that we would conclude them with the Chairman of the FDIC. In the meantime, we're going to have two different Chairmen. I expect you to be confirmed and would hope that as soon as possible after your confirmation you would be able to return and testify in detail on these matters.

So if you could—not right now, but as soon as possible, give us a date at which you would be prepared and able after your confirmation to testify before the committee.

However, in the meantime, not in a lot of detail, but could I ask you to give us some general impressions of these issues and the need for reform in the deposit insurance system?

Mr. SEIDMAN. Yes, Mr. Chairman, I would be pleased both to appear at a later date and to give you some views as far as I've formed them now in my review.

First, let me say that in the short time I've had to talk with Chairman Isaac and look at the operation of the FDIC, I am very impressed with the job that they are doing. I think they have done a remarkable job under very difficult circumstances, which is not to say that there can't be improvements, but I must say I am very favorably impressed with the caliber of the people and the job they have been doing.

TWO BASIC AREAS OF HIGH PRIORITY

Looking at the whole banking area, I think there are two basic areas which I would hope that Congress would put in high priority. One is the whole area of bank supervision and reform in that area, the kind of thing that the Bush task force dealt with and I think rather effectively in most areas from what I have been able to learn in the time I've had to look at it. So I think that's an important area and an area which needs action.

Second, in the area of bank insurance, I have had a chance to look at the suggestions and I've read a good part of the testimony that you have heard in your committee in that area and I'm impressed, first, that there doesn't seem to be any one thing that we could do that will clearly take care of all the problems that have arisen in insurance.

I think that it is impressive that with all the problems that have arisen the insurance fund is still increasing, which would indicate to me that basically the system is sound.

Given that, I think there are some improvements that can be made. I would certainly support the kind of increase in capital which the FDIC has proposed, the 6 to 9 percent increase in capital, phased in over a period of time and with the use of subordinated debentures as a possible source of that capital. I think that certainly will increase the stability of the system and will improve performance through providing a market check on institutions.

RISK PREMIUMS

I would also comment on risk premiums. I have had a chance to look over the system which the FDIC is proposing in that regard and, as a matter of fact, they have just sent that out I believe yesterday to banks around the country and others to get their comments. It seems to me they have a well thought out system and one that would make the risk premium proposal workable.

I think most people have agreed that risk premiums would bring market discipline and would be fairer than the current system and a great number of people have said, "Well, it's a good idea, but in practice it won't work, or in practice it's too difficult or in practice it's too costly."

I think there is a question with regard to its practicality, but overall, at this stage of my study of the matter at least, I think it can be made to work and that it will be an improvement, although certainly not a cure all.

On the question of modified payouts as a means of handling banks which have gotten into difficulty and need to be closed or merged, I think the modified payout plan if it could be worked out to apply to all banks would be an ideal solution to bringing depositor discipline to institutions. And the FDIC has tried it in certain cases, but it so far has been unwilling to try it when very large banks are concerned because of the magnitude of the institutions.

Until that problem can be solved, I think modified payout as a general approach to handling troubled banks probably has a flaw that makes it a difficult process to use.

FAIRNESS IN TREATMENT OF FAILED BANKS

I would add in that regard that I think one of the biggest problems that the FDIC has to face is finding a way to treat all size banks the same when they get in trouble. I'm not sure that they have a way to do that yet, but I think that's something that I would want to pay a lot of attention to and hopefully come up with a plan that makes it clear that all banks, no matter what the size, can be treated in the same way under similar circumstances.

The CHAIRMAN. Do you think it's possible to treat all banks the same way. The modified payout, of course, is an attempt to solve the fairness issue by treating depositors of banks regardless of the size in the same way, but do you think it's possible to treat all banks the same way?

Mr. SEIDMAN. Well, I wouldn't say that every closing of a bank would be treated in the same way, but what I think is important is that the way it is treated is not affected by the size of the institution. There may be differences in the way banks are treated in a particular situation based on the circumstances in that situation,

but I do think it will be unfair if depositors in very large banks are assured that they will be held harmless while those in smaller banks, depositors over the $100,000 level, cannot have that same assurance.

The CHAIRMAN. Well, the reason I'm trying to make that distinction is because I wasn't quite sure that you were saying what you meant. Because I agree with you on attempting to find a way to treat depositors the same regardless of the size of the bank, but to attempt to find a way to solve these bank problems, as I've looked at many of the failures over the last few years, they are so different, and whether you're able to find a merger partner, how much capital needs to go in in order to rescue them, whether you decide to pay off the depositors and let them fail—there are such a myriad—and I didn't want to leave it hanging on the record in that way.

So we are in agreement. You want to attempt to find a way to solve the fairness issue of how depositors are treated in a failed institution regardless of size and not have size influence that decision?

Mr. SEIDMAN. Yes, sir. I was speaking of depositors. Thank you.

The CHAIRMAN. But you would agree that on the individual bank situations they're almost always different and probably need to be handled on a case-by-case basis?

Mr. SEIDMAN. No question about that, yes.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman.

I appreciate your responses thus far and I know some of these issues you've had a chance to weigh and reflect on and therefore you have an opinion or some ideas that will guide how you think we ought to move. There may be others that we may ask where you haven't yet made that judgment and so I want to pose some, understanding that you may have more to say on some than others.

VIEWS ON CLOSING NONBANK BANK LOOPHOLES

In terms of the nonbank bank loophole which we've been working here to try to close, there's a difference of opinion outside the Congress where the Federal Reserve Board feels we ought to close that loophole, so-called, while the Treasury Department does not feel that way. So you've got really quite a sharp difference of opinion there.

I'm just wondering how you view that issue and what thoughts you might have on it.

Mr. SEIDMAN. My opinions in that area were mainly formed when I was chairing Governor Babbitt's committee on interstate banking in Arizona and we were looking at what position Arizona should take on permitting interstate banking.

My view was at that time, looking really at how it would affect Arizona, that it would have been unfortunate if a lot of nonbank banks had been created in Arizona, that there were better ways for the State to meet interstate banking issues. So, in general, at least based on my Arizona experience, I would support the Federal Re-

serve position that nonbank banks were not the best way to meet the problem or the opportunities of interstate banking.

Senator RIEGLE. Excuse me. As you're well aware, a lot of things go on simultaneously around here. We have a major hearing in the Commerce Committee this morning and we were just making some decisions on some legislative items on the floor a little bit later today.

Let me ask you a different question. That is, when you think about the FDIC's role, do you see any inherent conflict between its responsibilities on the one hand as a regulator of institutions and then, on the other hand, as the insurer of the institutions? Are those two functions fully compatible in your mind or might there need to be some separation there between those two functions?

Mr. SEIDMAN. Frankly, Senator, I haven't thought a lot about that particular issue. It would seem to me that there could be some difference in viewpoint since the insurance aspect requires protecting the insurance fund to be the primary interest of the insurer, while the regulator may have additional interest beyond that.

I would think the conflict would be less in the FDIC than in most places, even particularly the Federal Reserve.

Senator RIEGLE. Do you think as Chairman of the FDIC that the FDIC should have the authority to examine any bank it wants to at any time, or do you think the agency should only be able to examine a failing bank or one that's in danger of failing?

Mr. SEIDMAN. I think it ought to have the power to examine banks which it thinks the examination is necessary in order to properly administer the insurance fund. That, in most cases, would be banks which look like they may be in trouble and cost the fund money, but in some cases there might be other reasons for the examination.

Senator RIEGLE. I had intended to ask you about the two-tier system in the sense of some ad hoc responses that we've made in cases like Continental Illinois where depositors above the $100,000 level have been treated one way and in another institution have been treated another way, and I'm troubled about that as well. I don't think we can have an elastic dual standard that creates different classes of circumstance on the basis of any guidance in law and simply a response to the moment. So I appreciate what you've said on that so I won't pursue it further at this point.

I know Senator Boren wants to discuss with you some things, and I am delighted that he is here, but before he does so, let me ask quite a different question and this relates to something that we had a chance to discuss in part in our private discussions as we did a lot of other issues as well.

THE CASINO SOCIETY

This would relate more to the question of the general state of the economy today. In the September 16 edition of Business Week it devoted its cover to a story that it entitled "The Casino Society." I don't know that you would or would not have seen that article. But on the cover were the following words:

The Casino Society: No, it's not Las Vegas or Atlantic City. It's the U.S. financial system. The volume of transactions has boomed far beyond anything needed to sup-

port the economy. Borrowing, politely called leveraging, is getting out of hand and futures enable people to play the market without owning a share of stock. The result: The system is tilting from investment to speculation.

The article itself was entitled: "Playing With Fire—As Speculation Replaces Investment, Our Economic Future Is at Stake."

Then the article concluded, after going through a lot of the things that have arisen recently and the leveraging out virtually in every direction, with this paragraph:

In the end, speculation simply has too large a constituency to be tamed by any force other than self-restraint. The casino society's take is inequitably but broadly distributed and those who can't afford the ante for more sophisticated games are flocking to State-run lotteries. Only when fear overcomes greed will the casino society rein itself in. The question nagging all concerned is, how big a jolt is needed to alter the seductive calculus of speculation?

This is a pretty tough article and I thought it had a lot of interesting points in it and the fact that it was featured in Business Week, which I think is a pretty careful and thoughtful magazine, I thought gave it additional weight.

I don't know, as I say, whether you've read that story, but this gives you a flavor of what it said. But my question to you is: From your vantage point as you've been running the business school out there and watching the system and having been a participant in a lot of different ways, whether you have a concern that speculation may be getting out of hand, whether or not you think in the aggregate we are getting too heavily leveraged, regardless of the manner in which it's being done, and whether or not you think prudence requires that somehow we back away from the outer edges of testing the system in that way in order to minimize the chances that we would get hit with some big jolt down the road here that wouldn't serve any good purpose?

Mr. SEIDMAN. Well, that's a very big question, Senator, and one I think we all ought to be concerned about. It seems to me that our society has become a debtor-creditor society like no time in our past history. The amount of debt at the public level as we know, our own national debt, has doubled in the last 4 years. Private debt is increasing at almost the same rate. International debt is at all-time highs, far beyond anything the world has ever seen before.

So without treating with the speculative side of it to begin with, debt has increased to an extent that I think it would give almost any observer considerable concern. It has been further increased by the current what we call leveraged buyout. We used to call them back in the old days shoestring purchases. Someone went to business school and came up with a more distinguished name for it, but the fact of the matter is that they are shoestring purchases, which means that the risk is much higher because of the reduction in capital.

All of those things certainly I think give me concern and I think they are issues that, next to nuclear war, may be the most important single issue facing us in this country.

Turning to the speculative side of the marketplace, I, of course, am old enough to remember 1929 when speculation took over and people forgot to make judgments based on anything except trying to win the lottery or get rich quick. I think history says that those

kinds of speculations always lead to a reaction which causes great damage.

I am not as concerned about that phase of it in this economy. I don't think our stock markets have frogged up into values that can't be supported. I think the advent of options and other things can be very useful in the marketplace to offset risk, to stabilize risk, and overall, I would be less concerned about that side of the problem than I am about the straight debt side of the problem and the continuous increase at all levels from the consumer to nations to worldwide debt.

Senator RIEGLE. Let me just say one other thing on that. I asked Chairman Volcker about the problems associated with the buildup of debt—in every direction—and you've cited them. We've got the farm economy in difficulty, we've got foreign loans that are not performing well, and on top of that is the fact that we have just become a debtor nation. The list is a long one in terms of all the areas where we seem to have extended ourselves out into unprecedented degrees of leverage. And when I asked Chairman Volcker if in his experience there was any contemporary parallel to the overall buildup of this kind of excessive debt and excessive leverage and the risks that go with it, he was frank to say, no, that there was no parallel, and that it was a matter of great concern to him and that prudence really argued for backing away from these outer limits rather than to test them further.

And it seems to me that, in effect, is what you're saying as well.

Mr. SEIDMAN. Yes.

Senator RIEGLE. I appreciate that response. I wish you well here and we will follow closely whatever else comes along. I just want to say again I appreciate the fact that you're willing to come back in for another time at bat in public service.

Mr. SEIDMAN. Thank you.

The CHAIRMAN. Mr. Seidman, although Senator Boren is not a member of this committee, I've extended him the opportunity to appear today and ask you questions, as I would to any other Member of the Senate as well. Senator Boren.

OPENING REMARKS OF SENATOR BOREN

Senator BOREN. Thank you very much, Mr. Chairman. I appreciate your courtesy and that of the committee and Mr. Seidman.

Let me say that I'm well aware of your fine background and your career of public service and I certainly congratulate you and the President on making this appointment. I think the experience that you bring to this post will really be a steadying hand for us at a time in which there is such a concern out across the country about the financial system and, of course, with the economic times we're going through in a State like mine in Oklahoma—and I think you know the dislocations that we've experienced—it's a particularly important time for us to try to do everything that we can to restore confidence.

PROCEDURES OF LIQUIDATION CASES

One of the things that's happened in recent times, as some of the Members of Congress including myself have tried to determine ex-

actly what is going on with FDIC procedures in liquidation cases and liquidation management practices. I understand there are several requests pending through the GAO for certain audit information. I wonder what your attitude is about the applicability of the Bank Audit Act and the overall mission of the General Accounting Office to the FDIC as a congressionally chartered Federal agency and whether or not you believe that its activities, any of its activities, can be appropriately audited by the General Accounting Office.

Mr. SEIDMAN. I'm certainly not an expert in that area, Senator. I am aware that GAO has made audits in the past of the FDIC and I would assume that they would make them in the future. So I think the area that I know about where there has been some concern was in the area of troubled banks. That, of course, is information that could be misinterpreted by the public if it got out, could be tremendously harmful to the system and to individual banks, and so I believe the FDIC has been very zealous in trying to keep that information within the institution.

Senator BOREN. Certainly we're not saying that there should be any kind of premature disclosure. We know that premature disclosure of serious problems can merely compound those problems, or if action is anticipated, the effectiveness of that action can be harmed.

We've had questions about liquidation management practices. As you know, when liquidation is undertaken with the policies that the agency has followed, the expenses of that liquidation are charged against what the uninsured depositors ultimately recover. Naturally, the uninsured depositors then have all sorts of questions. The FDIC and uninsured depositors are in essence partners—each trying to recover all that they can.

But the depositors really feel they're the junior partner because the other partner has control of spending the money and there's no accountability back to them. And we have frankly been told by the FDIC when we've asked for information, "Well, tell us exactly what you want. Which hotel voucher do you want? Which lawyer's expense that was paid do you want to know about?"

Well, of course, since we're denied access to all information, we can't tell you which part of the information we want.

So the General Accounting Office has attempted to work with the agency to get information on liquidation management practices.

I would just ask, do you have a firm opinion that it is not appropriate for Congress or that there should not be an accounting of liquidation management practices, or is that something—I'm not trying to put you on the spot—that you would at least be willing to evaluate with an open mind if you go over to the agency?

Mr. SEIDMAN. I certainly would want to look at it with a fresh look and make a judgment myself on what's appropriate.

Just fundamentally, I think that the review of liquidation procedures is appropriate and that I don't think that the agency should take the view that it is not appropriate.

In every review there is always a question of cost benefit and what the costs might be as against what useful information might be developed, and I think you have to take that into consideration.

But I would certainly confirm to you that I would take a good look at it and make up my own mind if I were the Chairman.

Senator BOREN. Well, I appreciate your answer very much. And again, I'm not asking you to prejudge it, but I think you can understand that sometimes—and I found this often, as I'm sure you have—that an unknown creates in the minds of people who are concerned perhaps visions of something even worse than perhaps what the real picture is. And I think sometimes declining to give information can cause even more questions to be raised that might be easily answered if this information were available.

Mr. SEIDMAN. Yes, sir; that's possible.

Senator BOREN. Mentioning the question of confidence and we're in a situation in my region of the country where returning confidence to the financial system is perhaps the most immediate pressing goal—the most important goal we have. With some 900 or more banks on the trouble list and problems we've had in Ohio and Maryland, as well as some problems we've had in the Southwest region of the country—I wonder, are you confident that the FDIC policy that is to take effect on January 1 calling for further disclosure of examination information that will be consistent with building of that confidence?

I know it's very hard to strike that balance between trying to impose appropriate market discipline and still retaining confidence. Do you feel confident that proceeding with that disclosure that's scheduled will not have a negative effect on confidence in the financial system?

Mr. SEIDMAN. Well, I'm aware of the proposal to publish cease and desist orders which has been instituted by the FDIC. I have not seen all the background information by which the Board came to that conclusion.

Frankly, I'd like to look at it and make my own judgment in that area. I have not done so yet.

Senator BOREN. Let me ask also—and I heard some reference—and I apologize if you've already been asked about this, but the percentage of bank failures of those below $50 million in assets is I believe, 78 percent, not dollar values but numbers of banks.

EFFECT OF DEREGULATION IN FAILURES

Do you attribute this failure of so many smaller banks to the effects of deregulation and the establishment of a new playing field, so to speak, within the banking community; or do you think there is some possibility that there is an appearance at least of a double standard? For example, we had the Continental Bank in Del City, OK, that had $90 million in assets that closed the very same day or within 24 hours of the development of what happened at Continental Illinois. In the small Continental there was no protection for uninsured depositors and, of course, in the case of the agreement that was reached—and I fully understand why it was reached and I'm not criticizing that agreement—were all protected in the case of the bigger bank. That's a sort of symbolic expression in our State. It's come to be a symbolic expression of attitude that if you have more than $100,000 perhaps you'd better put it in a big bank

because the big banks are not subject to the same kind of actions that smaller banks are.

Do you think there's some truth to that or do you think it's mainly the effects of deregulation, adjustment in the financial system, and the new competitive atmosphere we're now in that's caused the majority of the failures to be of smaller banks?

Mr. SEIDMAN. Again, I haven't made a study in depth of that, but first, there are just a lot more small banks. That's one of the reasons that there's likely to be more failures by numbers.

Senator BOREN. Certainly.

Mr. SEIDMAN. Second, small banks very often do not have as good systems and management in place as some of the larger banks and, therefore, as competition increases they can be more vulnerable.

But I don't think overall deregulation has a lot to do with it. I think it has much more to do with the general economic system and the fact that there are large numbers of those small banks. Also, they can be tremendously hurt by one area of the economy. If agriculture is bad and it's an agricultural bank, they don't have the rest of the world to spread it over.

So I think there are a number of reasons for those failures. I would not put deregulation among them as being an important one.

Senator BOREN. You're sensitive to the need for the regulators to give no appearance of a double standard because we could then encourage people—without even thinking it through, to follow a policy of encouraging bigger banks and discouraging smaller banks.

Mr. SEIDMAN. I made a statement previously, Senator, that I thought that was one of the most important problems that the FDIC and the regulators have to face and that is how to treat depositors in all banks on a comparable basis.

Senator BOREN. Do you think that if we have an expansion of interstate banking that it would, at least in the short term, enhance FDIC's ability to handle bank failures, or do you see that as having any impact one way or the other?

Mr. SEIDMAN. I think that's very difficult to judge. My guess would be that it might enhance their ability by providing more purchasers to take over banks that are in trouble and so my overall view—I mean, my guess at this time, but it's no view based on any research, is that it would be helpful.

Senator BOREN. I'd just ask one last question and you may not want to comment on this, but there are some reports circulating that you plan to retain Mr. Isaac at the Corporation as a consultant or in some other capacity. Is there any truth to those rumors as far as you know?

Mr. SEIDMAN. There has been no discussion of any such arrangement and therefore I have never considered it.

Senator BOREN. I again thank you, Mr. Chairman, for enabling me to come in and ask some questions and to express some concerns. Let me say again, Mr. Seidman, we are very appreciative of the background that you bring to this position and look forward to working with you and I appreciate your candor this morning very much.

Mr. SEIDMAN. Thank you.

The CHAIRMAN. You're welcome back any time to sit through the hours, and hours, and hours of hearings on these subjects if you would like to come back. If you want to know more, come back.

Senator BOREN. I understand, Mr. Chairman. I'm sure your day is like mine. Today we have the Finance Committee markup and the Agriculture Committee markup and I'm on both committees, and the strange thing is that the Finance Committee is now marking up the tobacco program. So it is a strange world in which we have to work in.

Thank you very much for your courtesy.

The CHAIRMAN. Thank you, Senator Boren.

Mr. Seidman, I have no additional questions for you at this time. We do have an unusually large number of specific questions to submit to you for your response in writing due to just clearing up the SEC's investigation. Again, I would repeat to you, I have looked into it and I see no problem whatsoever. I think it is important that we make that clear in the record so that as other Senators read it when it comes to the floor, so as soon as you can respond to those and we have that information, then we would set a date for the committee to vote on your nomination. I'd like to expedite that as rapidly as possible so that we can get you back here to testify in detail on deposit insurance reform.

The CHAIRMAN. I think the President has made an excellent choice and, again, I look forward to working with you. Thank you very much.

Mr. SEIDMAN. Thank you.

The CHAIRMAN. The committee is adjourned.

[Whereupon, at 10:30 a.m., the hearing was adjourned.]

[Request for additional information and biographical sketch of nominee follow:]

October 10, 1985

Honorable Jake Garn
Chairman
Committee on Banking, Housing and
Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

With respect to my September 27, 1985 reply to your questions I would like to provide you with the following additional information.

I am informed by Mr. McLean of Senator Proxmire's staff that the SEC has reported an untitled deposition given by me on Equity Funding matters in 1974. I have no present recollection of this event of 11 years ago or of the material contained therein.

I am also informed by Mr. McLean that during 1975 the SEC reported a deposition given by me entitled "SaCom and Omni-Rx" which also deals, in part, with Equity Funding. I have no present knowledge of the material covered in the document.

I am informed by Seidman & Seidman of an SEC deposition by me on SaCom and Omni matters given in 1974 but that it did not deal with the Equity Funding matter.

Please amend my answer to Question No. 10 to include this additional information.

Sincerely yours,

L. William Seidman

cc: Honorable William Proxmire

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: SEIDMAN (LAST) LEWIS (FIRST) WILLIAM (OTHER)

Position to which nominated: Member Board FDIC Date of nomination:

Date of birth: 29 (DAY) 4 (MONTH) 1921 (YEAR) Place of birth: Grand Rapids, Michigan

Marital status: Married Full name of spouse: Sarah Berry Seidman

Name and ages of children: B. Thomas Seidman - 30 Nancy C. Williams - 30
Tracy Seidman - 34 Margaret Cole - 27
Sarah Harrower - 32 Jane R. Volock - 22

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Dartmouth College	1939-43	A.B.	1943
Harvard Law School	1947-48	LL.B.	1948
Univ. of Michigan	1948-49	M.B.A.	1949

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Phi Beta Kappa (Dartmouth)
Beta Gamma Sigma (Michigan)
Lt. U.S. Naval Reserve (Destroyers) 1942-46 11 Battle Stars; Bronze Star
Grand Rapids Rotary Club Community Service Award for Service and Leadership
"In honor of contributions in bringing a new four-year college to Grand Rapids Area" (first non-Rotarian to receive Club's citation)
Grand Rapids Chamber of Commerce "Man of the Year" award "for business, civic and education contribution to the Greater Grand Rapids Area. (First "Man of Year" award given by GR Chamber of Commerce)
Honorary Doctor of Laws Degree from Western Michigan University, Olivet College and Grand Valley State Colleges
Brandeis University Distinguished Community Service Aware
Grand Valley State College - L. William Seidman Chair of Accounting -
Honorary Lifetime Member of Board of Control.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
SCHEDULE 1 ATTACHED		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

9/82 - Present	Arizona State University, Tempe, AZ Dean, College of Business (Leave of absence June-Sept. 1983 to serve as Co-Chairman of White House Conf. On Productivity (U.S.Chamber of Commerce)
8/77 - 8/82	Phelps Dodge Corporation, New York City - Corporate executive
3/77 - 7/77	Self-employed
8/74 - 2/77	U.S.Government, Washington, DC - Assistant to President (Ford) for Economic Affairs
3/74 - 7/74	U.S.Government, Washington, D.C. - On Vice President Ford's staff
7/52 - 2/74	Seidman & Seidman, Grand Rapids, Michigan CPA - Partner 4/1/54 (National Managing Partner 1968-74) Indefinite leave of absence beginning 3/74; changed to permanent retirement status 4/76.
6/49 - 7/52	Seidman & Seidman, New York, N. Y. - Accountant

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

SCHEDULE 2

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Numerous articles in professional publications regarding taxation

Have written weekly articles for newspapers in Arizona

A book on productivity is in process of publication.

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

"300 Club" of Grand Rapids (Republican Committee)

Reagan for President 1980 - Speaker

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

SCHEDULE 3

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

SCHEDULE 4

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

None

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

SCHEDULE 5

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

Testified before Congress on behalf of Phelps Dodge Corporation in connection with Safe Harbor leasing provision of tax code.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Will resign all business directorships if confirmed.
Will sell all bank stocks and bonds held by myself and my wife, and in the two foundations (if not prevented by SEC rules)
Will abstain from any FDIC activity which involves any bank with which I have any relationship.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

SCHEDULE 6

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

SCHEDULE 1

Memberships (page 2 of Questionnaire)

Present Memberships

American Institute of Certified Public Accountants - since 1953
Michigan Association of CPAs - Since 1953
American Bar Association - Since 1948
State Bar of Michigan - Since 1948
D.C. Bar Association - Since 12/1/77

Beta Theta Pi Fraternity, Alpha Omega Chapter (Dartmouth)
Phi Beta Kappa (Dartmouth)

University Club - New York, N. Y.
University Club of Washington, D.C.
Chevy Chase Club - Chevy Chase, Md.
Crystal Downs Country Club - Frankfort, Michigan

The Thomas Erler Seidman Foundation - Trustee
The William and Sarah Seidman Foundation - Trustee

U.S. Council for International Business - New York City
The Conference Board - New York City

Past Memberships

Lincoln's Inn (Harvard)
Beta Gamma Sigma (University of Michigan)
General Assn. of Alumni of Dartmouth College (President 1968)
Society of Mining Engineers of AIME - Denver, CO
National Energy Foundation, New York City - Board member
Grand Rapids Foundation - Trustee and past president
Grand Rapids Youth Commonwealth - Board member and past president
Blodgett Memorial Hospital - trustee
Hundred Club of Grand Rapids - Director
Youth for Understanding - Trustee and Chairman of Board of Trustees
Greater Michigan Foundation - Member of Board of Governors
Association for Child Development, Lansing, MI - Director
Grand Rapids Child Guidance Clinic - Trustee
Michigan State Chamber of Commerce (State Taxation Committee)
University Club - Grand Rapids, MI
Peninsular Club - Grand Rapids
Grand Rapids Athletic Club - President and founding member
Grand Rapids Racquet Club
Capitol Hill Club - Washington, D.C.
Kentree Polo Club - Ada, MI
Torch Club of Grand Rapids
Macatawa Bay Yacht Club - Holland, MI

SCHEDULE 2

Government Experience (Page 3 of Questionnaire)

Michigan

1962 - Ran as Republican candidate for Auditor General for State of Michigan, at request of Governor George Romney. (Unsuccessful)
1963-68 - Acted as Special Assistant on Financial Affairs to Governor Romney, including Tax Reform
1963-66 - Organizer and ex-officio member of Governor Romney's Task Force on Expenditure Management
1963 - Member of three-man fact-finding commission appointed by Gov. Romney to investigate export-import potentials in Europe for Michigan
1964 - Member of special committee to investigate trade opportunities with Japan
1965 - Member of Executive Committee of Michigan Businessmen's Trade Mission to Europe (Operation Europe)
1967 - Administrant, Romney Associates, Inc. (Lansing, MI)
1967 to March 1968 - Romney for President Committee member (Washington, D.C.)
1971-74 - Appointed by Governor Milliken to Advisory Council of Michigan Department of Commerce
1973-74 - Governor Milliken's Commission of Higher Education (Chairman)

Federal

3/74 - 7/74 - On Vice-President Ford's staff
8/74 - 2/77 - Asst. to President Ford for Economic Affairs
1977-80 - Member, Board of Foreign Scholarships (International Communications Agency)
June-September 1983 - Co-Chairman of White House Conference on Productivity

SCHEDULE 3
page 1

Political Contributions (page 4 of Questionnaire)

1985	3/6	RNC Five Hundred Club	500
	4/11	Republican Party & T&T Dinner (Ariz. Repub. State Com.)	600
	7/8	RNC (President's Club	1 000
1984	6/20	Keary Sawyer for Congress. Com.	500
	6/6	Phelps Dodge Employees Fund for Good Govt.	1 000
	8/20	Elliott Richardson for Senate Com.	1 000
	10/16	United Bank PAC	800
1983	2/8	Citizens for U.S. Rep. Hal Sawyer (Fifth Dist. Cong. Club)	1 000
	3/17	1983 Republican Senate-House Dinner	900
	10/24	McCain for Congress Com. (AZ)	500
	12/20	Reagan-Bush '84	1 000
	12/10	RNC 500 Club	500
	12/20	Duperier for Congress	1 000
1982	3/22	Citizens for U.S. Rep. Hal Sawyer	1 000
	4/19	Com. for Congresswoman Heckler	500
	5/1	Headlee for Governor	1 000
	5/3	Phelps Dodge Employees Fund for Good Govt.	2 500
	5/12	Michigan Republicans (Governor's Council)	1 000
	10/21	[illegible]pe for Senate Com.	500
	11/15	[illegible]ublican National Financ. om.	1 000
1981	4/7	1981 Senate House Dinner	1 000
	4/6	U.S. Rep. Hal Sawyer (Citizens for)	500
	4/14	Michigan Republican Finance Comm.	1 000
	5/9	Cong. Jas. R. Jones Election Comm.	500
	7/10	Phelps Dodge Employees for Good Govt.	2 500
	7/15	RNC Ambassador's Club	1 000
	10/12	Committee for Santini	1 000
1980	1/30	Bush for President Com.	500
	2/6	1980 Senate House Dinner	1 000
	2/13	Phelps Dodge Employees Fund for Good Govt.	2 500
	2/18	Michigan Rep. Fin. Comm.(Governor's Council)	1 000
	3/17	Russell B. Long Com.	500
	4/29	Reagan for President	500
	6/7	The Baker Com.	500
	6/18	RNC - Unity Gala	2 000
	8/15	Victory 1980 (RNC)	1 000
	8/15	Citizens for Sawyer	1 000
	9/18	Russell B. Long Com.	500
	9/22	Prelude to Victory (RNC)	1 000

SCHEDULE 3
page 2

Political Contributions (continued)

1979	5/26	Penn & Schoen Assoc.(Kiss.Campaign)	1 000
	6/21	Phelps Dodge for Good Government	2 500
	7/3	Michigan Republican Finance Com.	1 000
	8/14	The Baker Com.	500
	10/2	The Anderson for President Com.	500
	11/7	Countdown to Victory (RNC)	1 000
	11/14	Campaign to Elect Wm. E. Simon Pres.	1 000
	11/7	Connelly for President	500
1978	3/16	Eisenhower Silver Jubilee Dinner	1 000
	6/19	Sawyer for Congress. om.	500
	5/16	Phelps Dodge Employees for Good Govt.	2 500
	8/7	Jim Baker for Atty. General Comm.	500
	7/10	Milliken for Michigan	500
	7/23	Senator Griffin Comm.	500
	9/6	Milliken for Michigan	500
	9/14	Duryea for Governor Com.	500

SCHEDULE 4

Qualifications (page 4 of Questionnaire)

CPA and Attorney (Mich. and D.C.)

Seidman & Seidman - Certified Public Accountants
National Managing Partner 1968-73. Growth from 14 offices to 47 offices during this period. Over 1,000 personnel

Federal Reserve Bank of Chicago, Detroit Branch - Director for maximum term of six years; Chairman 1970

Government - Assistant to President Ford for Economic Affairs

Education - Dean, College of Business, Arizona State University

Business - CFO of Phelps Dodge Corporation

SCHEDULE 5

Investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest (page 5 of questionnaire)

Investments - Held in Merrill Lynch a/c:
1300 shares of J. P. Morgan & Co. common
3628 shares United Bancorp of Arizona common
Held by wife, Sarah B. Seidman, at E. F. Hutton & Co.
25,000 J. P. Morgan & Co. CV Debs. 4-3/4 11/1/1998
Held by The Thomas Erler Seidman Foundation (a charitable trust, of which I am a trustee) -
1,000 shares Bank of Boston Corp.
1,000 shares J. P. Morgan & Co.
100,000 Citicorp Notes 12-1/4 8/15/93
Held by The William and Sarah Seidman Foundation, a charitable trust of which I am a trustee -
5,000 First Federal of Mich. CD 11.70 8/31/88
33,000 First Federal of Michigan CD 11.90 9/14/88
6,000 Albuquerque Federal Savings & Loan CD 9-1/4 7/25/88
Held directly - 8 shares Finsbury Bank & Trust Co., Grand Cayman, BWI
J. J. Lowery & Co. Partnership (limited partner; minor interest)

Liabilities and Contingencies

Two promissory notes to Old Kent Bank and Trust Co., Grand Rapids, Michigan
Guarantee to Manufacturers Hanover Bank re loans to Albany TV 23, Inc. and associated activity
Mortgage loans payable to First Hawaiian Bank (Condo in Hawaii) and National Savings & Trust Co. (office building in Washington, D.C.)

Directorships

United Bancorp of Arizona
Prudential Bache Mutual Funds -
Option Growth Fund
Quality Income Fund
Equity Fund
Government Plus Fund
California Muni Fund
Municipal Muni Fund
American Store Equipment Corp.
The Catalyst Energy Development Corp.
Phelps Dodge Corporation
Recreation Broadcasting of Aspen, Inc.
Albany TV 23, Inc. - (Chairman of Bd)

SCHEDULE 6

Give full details of any civil or criminal proceeding in which you were a defendant, etc. (page 6 of questionnaire)

Robert L. Hussa v. Youth for Understanding, Inc., et al. As a trustee/Chairman of YFU (international student exchange), I was, along with other trustees, a defendant in the above case. The litigation was terminated in January 1982 with a decision in favor of the defendants.

As a large corporation, Phelps Dodge was sued from time to time and the officers were generally included, but no liability was ever found. This would be during the period September 1977 to September 1982.

As a national certified public accounting firm, Seidman & Seidman has been involved in several class action suits and SEC investigations. The partners were included as defendants by reason of being the CPAs. The most publicized Equity Funding suit was settled in 1975 with no personal liability. My partnership in Seidman & Seidman was terminated 3/31/76.